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2007 Budget Highlights

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Benefits Programs

Disability Compensation

This appropriation provides for the payment of compensation benefits to disabled veterans, certain survivors, and eligible dependent children.

Compensation benefits are an entitlement paid either as a disability or a survivorship benefit. Compensation is payable to living veterans who have suffered impairment of earning power from service-connected disabilities. Eligibility criteria for veterans are based upon disabilities either incurred in or aggravated during active military service. The amount of the compensation to the veteran is based upon the disability or combination of disabilities and their impact on earning capacity. Survivors are eligible for benefits if the veteran died while on active duty, or died as a result of disabilities incurred while on active duty. This benefit is intended to compensate for the loss of family income. A clothing allowance is also provided for service-connected veterans who use a prescribed medication for a service-connected skin condition that stains their clothing or use a prosthetic or orthopedic appliance, which tends to wear out or tear the clothing of such veteran.

Program Description

Disability Compensation is provided to veterans for disabilities incurred or aggravated while on active duty. The amount of compensation is based on the degree of disability. Several ancillary benefits are also available to certain severely disabled veterans.

Dependency and Indemnity Compensation (DIC) is provided for surviving spouses, dependent children, and dependent parents of veterans who died of service-connected causes or while on active duty on or after January 1, 1957. Prior to January 1, 1957, death compensation was the benefit payable to survivors.

Spina Bifida Monthly Allowance under 38 U.S.C. 1805 is provided for children born with spina bifida who are children of individuals who served in the Republic of Vietnam during the Vietnam era or served in or near the demilitarized zone in Korea from September 1, 1967 to August 31, 1971. Payment is made at one of three levels and is based on degree of disability suffered by the child.

Children of Women Vietnam Veterans Born with Certain Defects provides a monetary allowance, healthcare, and vocational training benefits to eligible children born to women who served in the Republic of Vietnam during the period beginning on February 28, 1961, and ending May 7, 1975, if they suffer from certain covered birth defects. VA identifies the birth defects as those that are associated with the service of the mother in Vietnam and resulted in permanent physical or mental disability.

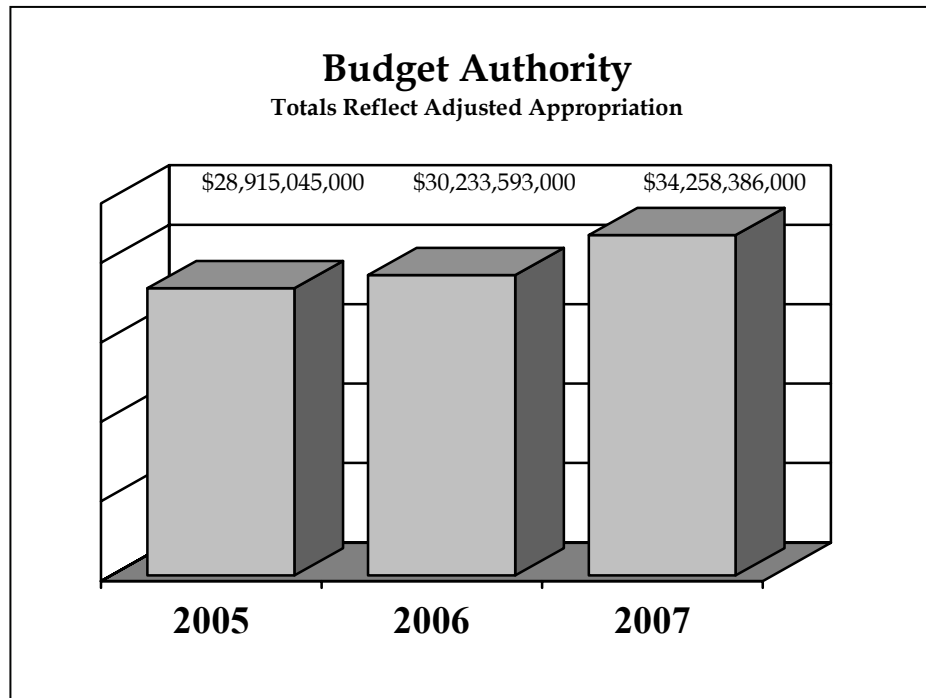
Clothing Allowance may be paid to each veteran who uses prescribed medication for a service-connected skin condition or wears or uses a prosthetic or orthopedic appliance (including a wheelchair), which tends to stain or tear the clothing.

Special Allowance for Dependents is an allowance payable to dependents of certain veterans who died after December 31, 1956, but who were not fully and currently insured under the Social Security Act.

Equal Access to Justice Act (EAJA) are payments of awards resulting from the successful challenge of agency policies, procedures, and regulations before the U.S. Court of Veterans Appeals (COVA) as authorized by the "Equal Access to Justice Act," (EAJA) as amended by section 506 of Public Law 102-572, the "Federal Courts Administration Act of 1992."

Medical Exams is a pilot program authorizing VA to contract out medical examinations to determine service-connected disabilities of veterans who are potential applicants of compensation benefits.

OBRA Payments to VBA and VHA, under current law, allow the VA to perform income verification matches for certain beneficiaries. These payments are paid to the Internal Revenue Service and Social Security Administration for use of their data



Summary of Budget Request

Budget authority of \$34.3 billion is estimated for 2007 to support the benefits programs funded by the Disability Compensation Benefit appropriation account.

In addition to benefits provided to 2,867,013 veterans, 348,479 survivors, and 1,234 children, this account provides a clothing allowance to 87,053 veterans; 803 Equal Access to Justice Act (EAJA) payments; and continued funding for the medical exam pilot and payments for discretionary expenses associated with OBRA.

In 2007, compensation obligations are estimated to surpass the 2006 level by more than \$2.9 billion. This increase is nearly all due to changes in caseload and average payment for veterans and survivors. In addition, the impact of an anticipated 2.6 percent COLA effective December 1, 2006 (\$590.3 million) and the additional two months impact of the 4.1 percent 2005 COLA (\$193.7 million), will increase costs by \$784.0 million.

Disability Compensation Summary of Mandatory Appropriation Highlights (dollars in thousands)

| | | 2006 | | | |
|--|---------------------|---------------------|---------------------|---------------------|-------------------------|
| Mandatory | 2005 Actual | Budget Estimate | Current Estimate | 2007 Estimate | Increase(+) Decrease(-) |
| Veterans: | | | | | |
| Cases | 2,600,583 | 2,688,248 | 2,713,606 | 2,867,013 | +153,407 |
| Average Payment | \$9,400 | \$9,677 | \$9,827 | \$10,263 | +\$436 |
| Obligations | \$24,445,389 | \$26,015,344 | \$26,666,013 | \$29,422,857 | +\$2,756,844 |
| Survivors: | | | | | |
| Cases | 326,272 | 335,081 | 340,318 | 348,479 | +8,161 |
| Average Payment | \$12,865 | \$13,322 | \$13,161 | \$13,378 | +\$217 |
| Obligations | \$4,197,473 | \$4,464,110 | \$4,478,899 | \$4,662,103 | +\$183,204 |
| Total: | | | | | |
| Cases | 2,926,855 | 3,023,329 | 3,053,924 | 3,215,492 | +161,568 |
| Average Payment | \$9,786 | \$10,081 | \$10,198 | \$10,600 | +\$402 |
| Obligations | \$28,642,862 | \$30,479,454 | \$31,144,912 | \$34,084,960 | +\$2,940,048 |
| Other Obligations: | | | | | |
| Special Benefits for Children | \$17,015 | \$17,954 | \$18,146 | \$18,854 | +\$706 |
| Clothing Allowance | 50,669 | 53,715 | 53,586 | 57,220 | +3,634 |
| REPS | 9,008 | 5,504 | 7,299 | 6,771 | -528 |
| Special Allowance for Dependents | 281 | 257 | 271 | 256 | -15 |
| EAJA | 3,720 | 6,170 | 3,553 | 3,646 | +93 |
| Medical Exam Pilot Program | 68,082 | 80,750 | 80,751 | 84,990 | +4,239 |
| OBRA Payments ¹ | 1,385 | 1,656 | 1,656 | 1,689 | +33 |
| Total Other Benefit Obligation | \$150,160 | \$166,006 | \$165,262 | \$173,426 | +\$8,164 |
| Total Obligations: ² | \$28,793,022 | \$30,645,460 | \$31,310,174 | \$34,258,386 | +\$2,948,212 |
| Funding: | | | | | |
| Offsetting Collections | \$-10,228 | \$0 | \$0 | \$0 | \$0 |
| Unobligated balance expiring (Reps) | \$1,220 | \$0 | \$0 | \$0 | \$0 |
| Unobligated balances (SOY) | \$-945,550 | \$-873,518 | \$-1,076,581 | \$0 | +\$1,076,581 |
| Unobligated balances (EOY) | \$1,076,581 | \$0 | \$0 | \$0 | \$0 |
| Budget Authority (net) | | | | | |
| Appropriation | \$29,260,744 | \$29,771,942 | \$30,233,593 | \$34,258,386 | +\$4,024,793 |
| Transfers to other accounts | \$-245,765 | | | | |
| Total Mandatory: | | | | | |
| Budget Authority (net) | \$28,915,045 | \$29,771,942 | \$30,233,593 | \$34,258,386 | +\$4,024,793 |
| Outlays (net) | \$30,876,810 | \$30,643,221 | \$31,335,021 | \$31,514,859 | +\$179,838 |
| Other Workload: | | | | | |
| Special Benefits for Children Cases | 1,171 | 1,219 | 1,219 | 1,234 | +15 |
| Clothing Allowance Recipients | 82,333 | 85,273 | 83,644 | 87,053 | +3,409 |
| REPS Trainees | 306 | 269 | 393 | 298 | -95 |
| EAJA Settlements | 803 | 1,363 | 803 | 803 | 0 |
| Total Other Workload: | 84,613 | 88,124 | 86,059 | 89,388 | +3,329 |

² Dollars may not add due to rounding in this and subsequent charts.

Proposed Legislation

A 2.6 Percent Rate Increase for Compensation Benefits in 2007

Legislation is proposed to provide a 2.6 percent rate increase to all Compensation beneficiaries, including DIC spouses and children, effective December 1, 2006. The 2.6 percent increase is the expected increase in the Consumer Price Index and it is the same increase estimated for Social Security benefits. The cost of this increase in 2007 is estimated to be \$590 million and is included in the baseline submission.

Pensions

This appropriation provides for the payment of pensions benefits to wartime veterans rated permanently and totally disabled with limited income and their survivors.

Pensions is a needs based benefit provided to wartime veterans who have been rated permanently and totally disabled, as a result of a non-service-connected disability. Upon the death of the wartime veteran, the surviving spouse and children are eligible for a pension. There are no disability requirements for survivors. The payable amount is determined by the annual countable income, and the number of dependents of the recipient.

Program Description

Nonservice-Connected Disability Pension is provided for veterans with non-service-connected disabilities who served in time of war. The veterans must be permanently and totally disabled or must have attained the age of 65 and must meet specific income limitations.

Medical Exams is a pilot program which authorizes VA to contract out medical examinations to determine non-service connected disabilities of veterans who are potential applicants of pension benefits.

Death Pension is provided for surviving spouses and children of wartime veterans who died of nonservice-connected causes, subject to specific income limitations.

Pension payments are made under one of three programs:

- **Old Law pension** is payable if entitlement was established prior to July 1, 1960. The rate payable to a veteran or survivor does not vary with differences in income so long as countable income does not exceed the applicable income limitation.
- **Prior Law pension (Section 306)** is payable if entitlement was established prior to January 1, 1979. Prior to that date, the rate payable to a veteran or survivor varied depending upon the amount by which countable income exceeds various levels, with reductions of a few cents of pension for each dollar of added income. Effective January 1, 1979, amounts of Prior Law pension have been frozen at the rates to which eligible veterans were entitled and remain payable as long as countable income does not exceed the applicable income limit and dependency does not decrease.
- **Improved Law program (Public Law 95-588)** is payable if entitlement was established post January 1, 1979. In determining annual income under this law, all payments shall be included, except those exclusions specifically provided for

by law. Payments for Improved Law program beneficiaries are computed by reducing, dollar-for-dollar, benefit levels specified in the act by the income of the beneficiary. The Improved Law program provides the same automatic annual percentage increase at the same time as the Social Security increase. Pension payments are not reduced solely as a result of Social Security payment increases.

Pensions Program Limits

The cost-of-living increase for Improved Law beneficiaries, which is automatically tied to that afforded to Social Security beneficiaries, is estimated to increase 2007 rates and income limitations by 2.6 percent. Rate increases afforded by COLAs are responsible for most of the average cost increases. Since rates for pensioners covered by earlier programs are frozen, variations in average benefit payments for these beneficiaries are attributed to changes in dependency, qualifying income, health, or other eligibility criteria. The current annual income standards are shown below:

| Veterans | | Survivors | |
|---------------------------|----------|---------------------------|---------|
| Without dependents | \$10,579 | Spouse without dependent | \$7,094 |
| With one dependent | \$13,855 | Spouse with one dependent | \$9,287 |
| Each additional dependent | \$ 1,806 | Each additional dependent | \$1,806 |

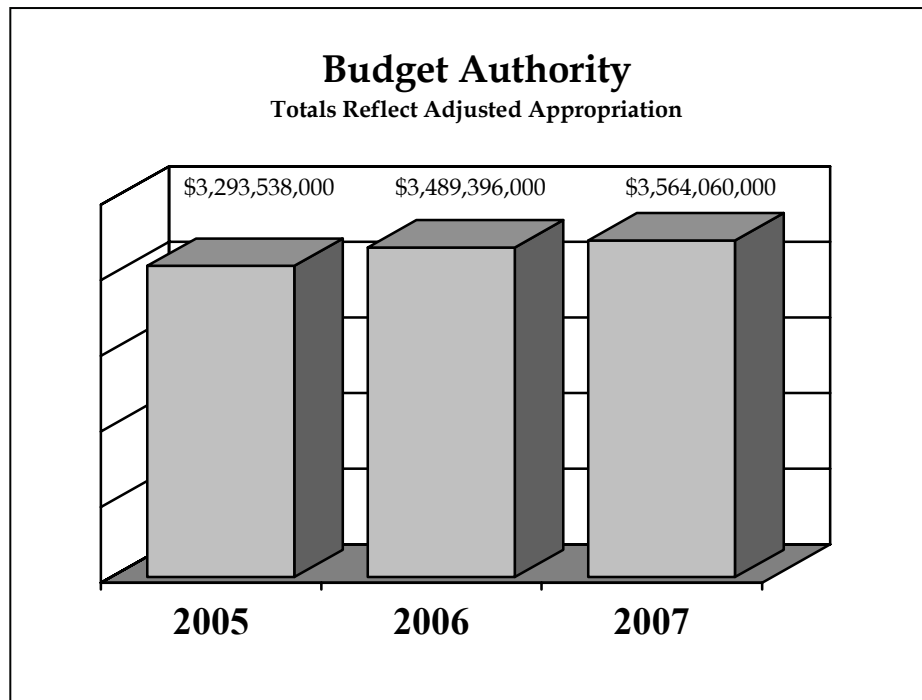
If veterans are entitled to Improved Law pension based on service during the Mexican Border Period or World War I, then \$2,400 is added to their income standard. Veterans and surviving spouses with entitlement to housebound, or aid and attendance have higher income standards due to the severity of their disability.

Beneficiaries Receiving Pensions

Caseload for both veterans and survivors is expected to decline through 2007. These estimates, based on current trends are distributed as follows: WWI & Prior (9,323) WWII (228,828), Korean (91,381), Vietnam (182,853) and Gulf War (7,425).

In 2007, pension benefits will be made to an estimated 549,027 beneficiaries. About 90 percent of these cases receive benefits under the Improved Law program, which accounts for almost 98 percent of the program's cost.

OBRA Payments to VBA and VHA, under current law, allow the VA to perform income verification matches for certain beneficiaries. These payments are paid to the Internal Revenue Service and Social Security Administration for use of their data.



Summary of Budget Request - Mandatory

Budget authority of \$3.6 billion is estimated for 2007 to support the programs funded by the Pensions appropriation account. The Pension program will provide benefits to an estimated 549,027 beneficiaries at an average annual payment of \$6,856. This account will also provide funding for the administrative expenses associated with OBRA requirements.

| Pensions Summary of Mandatory Appropriation Highlights (dollars in thousands) | | | | | |
|--|--------------------|--------------------|---------------------|--------------------|------------------------------|
| | | 2006 | | | |
| | 2005 Actual | Budget Estimate | Current Estimate | 2007 Estimate | Increase(+) / Decrease(-) |
| <i>Mandatory</i> | | | | | |
| Veterans: | | | | | |
| Cases | 337,787 | 329,730 | 330,764 | 325,305 | -5,459 |
| Average Payment | \$7,850 | \$8,196 | \$8,266 | \$8,594 | +\$328 |
| Obligations | \$2,651,724 | \$2,702,399 | \$2,734,120 | \$2,795,711 | +\$61,591 |
| Survivors: | | | | | |
| Cases | 211,240 | 202,683 | 202,699 | 194,504 | -8,195 |
| Average Payment | \$3,460 | \$3,677 | \$3,646 | \$3,828 | +\$182 |
| Obligations | \$730,786 | \$745,227 | \$739,054 | \$744,517 | +\$5,463 |
| Total: | | | | | |
| Cases | 549,027 | 532,414 | 533,463 | 519,809 | -13,654 |
| Average Payment | \$6,161 | \$6,475 | \$6,511 | \$6,811 | +\$300 |
| Obligations | \$3,382,510 | \$3,447,626 | \$3,473,174 | \$3,540,228 | +\$67,054 |
| Payments for Discretionary Expenses | | | | | |
| OBRA Payment to VBA ¹ | \$6,761 | \$8,084 | \$8,083 | \$8,247 | +\$164 |
| OBRA Payment to VHA | \$11,203 | \$13,751 | \$13,751 | \$14,576 | +\$825 |
| Contract Medical Exam Pilot Program | \$688 | \$899 | \$898 | \$1,010 | +\$112 |
| Total Obligations² | \$3,401,162 | \$3,470,360 | \$3,495,905 | \$3,564,060 | +\$68,155 |
| Funding: | | | | | |
| Unobligated balances (SOY) | \$-114,133 | \$0 | \$-6,509 | \$0 | +\$6,509 |
| Unobligated balances (EOY) | \$6,509 | \$0 | \$0 | \$0 | \$0 |
| Total Mandatory: | | | | | |
| Budget Authority (net) | \$3,293,538 | \$3,470,360 | \$3,489,396 | \$3,564,060 | \$-+74,664 |
| Outlays (net) | \$3,663,491 | \$3,470,309 | \$3,499,594 | \$3,279,040 | \$-220,554 |

² Dollars may not add due to rounding in this and subsequent charts.

Burial

Program Description

The Department administers a range of burial programs to benefit eligible veterans and family members. The responsibility for these programs is divided between two VA organizations. Cemetery programs and most in-kind benefits are administered by the National Cemetery Administration (NCA). Most monetary benefits and the burial flags program are administered by the Veterans Benefits Administration (VBA). The mandatory funding to provide these benefits is provided by the Burial Benefits Mandatory Appropriation, while the discretionary funding to administer these benefit payments is provided through the Burial Administration Appropriation. The National Cemetery Gift Fund is a separate trust fund and uses financial donations from private donors for beautification and improvement of cemetery grounds.

The operations and maintenance portion of the Burial Administration Appropriation funds the operation of 125 national cemeteries and 33 other cemeterial installations, as well as their maintenance as national shrines. It also directly funds the costs for NCA to administer four related programs: the State Cemetery Grant program, the Headstone and Marker program, the Presidential Memorial Certificate (PMC) program and Outer Burial Receptacle (OBR) reimbursements. Also included are administrative costs of VBA related to providing burial benefits to eligible veterans. The costs of producing and mailing the PMCs are also funded from this portion of the Burial Administration Appropriation.

Making burial options available to veterans requires the development of new national cemeteries, development of additional gravesites at existing national cemeteries, and establishment and expansion of state veterans' cemeteries. New national cemetery construction, gravesite development projects, as well as national cemetery capital improvement projects, are funded from the construction portion of the Burial Administration Appropriation. The Grants for Construction of State Veterans Cemeteries portion of the Burial Administration Appropriation fund the establishment, expansion, and improvement of state veterans' cemeteries.

The Burial Benefits Mandatory Appropriation funds the actual purchase and transportation costs for headstones and markers, grave liners, and pre-placed crypts. This portion also funds the cost of burial flags and the monetary burial benefits, including burial allowances, plot allowances, and outer burial receptacle reimbursements.

Summary of Budget Request - Mandatory

The Burial Benefits requests an appropriation of \$184,649,000 in 2007. This level of funding provides burial benefits on behalf of eligible deceased veterans and eligible deceased dependents.

| Burial Benefits Funding (dollars in thousands) | | | | | |
|--|------------------|----------------------------|-----------------------------|------------------|----------------------------|
| | 2005 Actual | 2006 Budget Estimate | 2006 Current Estimate | 2007 Estimate | Increase(+) Decrease(-) |
| Burial Allowance | \$30,986 | \$37,080 | \$37,490 | \$38,772 | +\$1,282 |
| Burial Plot | 17,154 | 20,035 | 20,035 | 20,590 | +555 |
| Service Connected Deaths | 23,217 | 27,877 | 27,877 | 28,609 | +732 |
| Burial Flags | 18,394 | 18,985 | 18,985 | 19,603 | +618 |
| Headstones/Markers/ Allowances . | 38,175 | 36,100 | 41,367 | 41,926 | +559 |
| Graveliners/OBR Reimbursements | 25,416 | 30,500 | 29,045 | 35,149 | +6,104 |
| Total obligations | \$153,340 | \$170,577 | \$174,798 | \$184,649 | +\$9,851 |
| Budget Authority | \$153,340 | \$170,577 | \$174,798 | \$184,649 | +\$9,851 |
| Outlays..... | \$153,340 | \$170,577 | \$174,798 | \$184,649 | +\$9,851 |

| Burial Benefits Workloads | | | | | |
|----------------------------------|----------------|----------------------------|-----------------------------|------------------|----------------------------|
| | 2005 Actual | 2006 Budget Estimate | 2006 Current Estimate | 2007 Estimate | Increase(+) Decrease(-) |
| Burial Allowance..... | 81,254 | 82,033 | 82,033 | 82,843 | +810 |
| Burial Plot | 63,769 | 65,581 | 65,581 | 67,430 | +1,849 |
| Service Connected Deaths | 13,578 | 13,938 | 13,938 | 14,304 | +366 |
| Burial Flags | 540,000 | 542,415 | 542,415 | 544,518 | +2,103 |
| Headstones/Markers/ Allowances . | 350,183 | 343,000 | 356,257 | 355,388 | -869 |
| Graveliners/OBR Reimbursements | 92,247 | 106,038 | 112,702 | 123,484 | +10,782 |

Education Program

This appropriation provides for the payment of readjustment benefits for eligible veterans and servicepersons and for eligible dependents of: (a) those veterans who either died from service-connected causes or have a total and permanent rated service-connected disability; and (b) servicepersons who were prisoners of war or missing in action pursuant to 38 U.S.C. chapter 35.

Public Laws 98-525 and 100-48 provide educational assistance to veterans whose initial entry on active duty takes place after July 1, 1985. These benefits are included in the All-volunteer force educational assistance program (Montgomery GI Bill) authorized under 38 U.S.C. chapter 30. Basic benefits were funded through appropriations made to the Readjustment Benefits appropriation. Supplemental benefits are also provided to certain veterans. These benefits are funded through transfers from the Department of Defense. This law also provides education assistance to certain members of the Selected Reserve. Transfers from the Department of Defense and Department of Homeland Security fund reservists' training.

The enactment of Public Law 108-454 sections 103 and 106 extended educational assistances for VEAP and MGIB participants. Section 103 of Public Law 108-454 increases benefits for individuals pursuing apprenticeship training beginning October 1, 2005, and before January 1, 2008. Starting in 2005, section 106 of Public Law 108-454 makes educational benefits available to pay for the national admissions exams and national exams for credit at institutions of higher education. Active duty members' spouses and dependents utilizing the educational assistance program (chapter 35) are granted a ten-year extension to their delimiting period in the event of the member's death under Public Law 108-454.

Effective October 1, 2005, the basic monthly benefit rate for full time trainees in chapters 30 and 35 increased to \$1,034 and \$827 respectively. Subsequent annual rate increases will be determined by the Consumer Price Index (CPI) adjustment and rounded to the nearest dollar.

Work-study payments are provided to eligible persons pursuing a program of rehabilitation, education, or training under chapters 30, 31, 32, and 35 of title 38, U.S.C. and chapter 1606 of title 10.

Payments to State Approving Agencies (SAA) and reporting fees are funded under this program. SAA payments provide for the reimbursement of the costs associated with inspecting, approving, and supervising programs of education and training offered by educational institutions in which veterans, dependents, and reservists are enrolled.

Vocational Rehabilitation & Employment Program

This program provides eligible service-disabled veterans with services and assistance necessary to enable them to become employable and to obtain and maintain suitable employment to the maximum extent possible. Disabled veterans not requiring vocational rehabilitation training to overcome an identified employment handicap may be provided direct employment services. These services include job placement activities, modification of necessary equipment to maintain employment, as well as other services necessary to meet the veterans' needs. Another aspect of this program is the provision of independent living services for severely disabled veterans who do not have employment potential.

Trainees for VR&E are broken down into three categories: trainees receiving a monthly subsistence allowance, trainees not receiving subsistence, and trainees receiving rehabilitative evaluation, planning, and delivery services. The majority of program participants enter education or training programs. All program costs, including tuition, books, and fees, if appropriate, are borne by VA, and the veteran is provided with a monthly subsistence allowance. Thus, it is this particular category in the VR&E program that accounts for 60 percent of the costs. Trainees who receive rehabilitative evaluation, planning, and delivery services do not receive any payments. This specific service of the program provides non-monetary assistance such as resumé preparation, job hunting strategies, interview preparation, and other assistance designed to move the veteran into a suitable job.

The number of participants in the program is increasing; consequently program costs are also rising. VR&E participation is contingent on individuals who have a compensable service-connected disability. Based on historical trends, the number of compensation claims is projected to increase along with significant increases in the average degree of disability. The increase in trainees can also be attributed to an increase in program outreach efforts through the Transition Assistance Program (TAP) and Disabled Transition Assistance Program (DTAP).

An increase in participation, compounded by increases in the average cost per participant, results in increases in the total cost of the VR&E program. Books, tuition, and supplies coupled with subsistence allowance account for 99 percent of program costs.

Veterans participating in the Vocational Rehabilitation and Employment (VR&E) program receive a monthly subsistence allowance, in addition to payments for dependents, tuition, books, handling charges, supplies, and equipment. Effective October 1, 2005, the monthly subsistence allowance for a single veteran enrolled in full time institutional training is \$488.50. Commencing October 1 of each subsequent year, the subsistence rate will increase commensurate with the Consumer Price Index.

Readjustment Benefits

Summary of Appropriation Highlights

(dollars in thousands)

| | | 2006 | | | |
|---|--------------------|--------------------|---------------------|--------------------|-----------------------------|
| | 2005 Actual | Budget Estimate | Current Estimate | 2007 Estimate | Increase (+) Decrease(-) |
| Obligations: | | | | | |
| Veterans/servicemembers | \$1,887,239 | \$2,079,610 | 2,173,310 | \$2,263,464 | \$+90,154 |
| Reservists (1606) | 183,757 | 119,349 | 177,953 | 206,583 | +28,630 |
| Reservists (1607) | 0 | 197,394 | 147,600 | 192,400 | +44,800 |
| Dependents' Education and Training | 388,719 | 444,793 | 430,340 | 468,427 | +38,087 |
| VR&E Subsistence Allowance | 228,632 | 252,284 | 242,324 | 258,699 | +16,375 |
| VR&E Books, Tuition, Supplies, Fees, etc. | 335,619 | 371,916 | 366,149 | 398,794 | +32,645 |
| Specially Adapted Housing Grants | 28,229 | 42,300 | 28,920 | 28,920 | 0 |
| Automobile Grants | 15,756 | 17,400 | 15,800 | 15,800 | 0 |
| Adaptive Equipment | 37,758 | 36,700 | 43,800 | 50,900 | +7,100 |
| Tuition Assistance | 19,394 | 18,291 | 19,976 | 20,755 | +779 |
| National Call to Service | 0 | 680 | 680 | 3,400 | +2,720 |
| Licensing and Certification Tests | 1,479 | 2,425 | 1,478 | 1,478 | 0 |
| Work-Study 1/ | 27,061 | 34,167 | 27,731 | 29,056 | +1,325 |
| State Approving Agencies | 17,773 | 19,000 | 19,000 | 19,000 | 0 |
| Reporting Fees | 3,683 | 3,704 | 3,963 | 4,031 | +68 |
| Reimbursement to GOE | 1,284 | 2,390 | 8,013 | 2,200 | -5,813 |
| Total Obligations | \$3,176,383 | \$3,642,404 | \$3,707,036 | \$3,963,906 | \$+256,870 |
| Funding: | | | | | |
| Unobligated balance (SOY) | \$-246,661 | \$0 | \$-157,358 | \$-192,438 | \$-35,080 |
| Unobligated balance (EOY) | 157,358 | 0 | 192,438 | 0 | -192,438 |
| Budget authority (gross) | 3,087,080 | 3,642,404 | 3,742,117 | 3,771,467 | +29,350 |
| Offsetting collections | -285,083 | -428,158 | -432,883 | -509,461 | -76,578 |
| Budget authority (net) | \$2,801,997 | \$3,214,246 | \$3,309,234 | \$3,262,006 | \$-47,228 |
| Appropriation | 2,556,232 | 3,214,246 | 3,309,234 | 3,262,006 | -47,228 |
| Transfer from C&P | 245,765 | 0 | 0 | 0 | 0 |
| Appropriation adjusted | 2,801,997 | 3,214,246 | 3,309,234 | 3,262,006 | -47,228 |
| Outlays (net) | \$2,936,588 | \$3,201,831 | \$3,261,507 | \$3,407,488 | \$+145,981 |
| Total Obligations | \$3,176,383 | \$3,642,404 | \$3,707,036 | \$3,963,906 | \$+256,870 |
| Education Program | 2,603,094 | 3,008,274 | 3,090,185 | 3,297,718 | +207,533 |
| VR&E Program 2/ | 573,290 | 634,130 | 616,851 | 666,188 | +49,337 |
| Budget authority (net) | \$2,801,997 | \$3,214,246 | \$3,309,234 | \$3,262,006 | \$-47,228 |
| Education Program | 2,232,255 | 2,580,115 | 2,708,847 | 2,595,818 | -113,029 |
| VR&E Program | 569,742 | 634,130 | 600,387 | 666,188 | +65,801 |
| Outlays (net) | \$2,936,588 | \$3,201,831 | \$3,261,507 | \$3,407,488 | \$+145,981 |
| Education Program | 2,353,776 | 2,570,149 | 2,646,677 | 2,750,574 | +103,897 |
| VR&E Program | 582,813 | 631,682 | 614,830 | 656,914 | +42,084 |

Note: Dollars may not add due to rounding in this and subsequent charts. 2006 Budget estimate column may differ from 2006 Congressional Budget due to inclusion of PL 108-454 section 106.

1/ Includes chapter 1606 work-study reimbursement 2/ Includes chapter 31 Work-study

Readjustment Benefits
Summary of Appropriation Highlights (cont'd)
(dollars in thousands)

| | | 2006 | | | |
|---|-------------|-------------|-------------|-------------|-------------|
| | 2005 | Budget | Current | 2007 | Increase(+) |
| | Actual | Estimate | Estimate | Estimate | Decrease(-) |
| Workload Data and Other Items | | | | | |
| Workload: | | | | | |
| Veterans/servicemembers | 336,347 | 367,658 | 370,248 | 373,368 | +3,120 |
| Reservists (1606) | 87,589 | 57,725 | 81,930 | 91,579 | +9,649 |
| Reservists (1607) | 0 | 54,103 | 40,455 | 50,755 | +10,300 |
| Survivors' Dependents' Education and Training | 74,360 | 80,094 | 79,430 | 83,235 | +3,805 |
| VR&E Subsistence Allowance | 55,725 | 59,207 | 57,342 | 58,919 | +1,577 |
| VR&E Books, tuition, supplies, fees, etc. | 14,038 | 14,728 | 14,459 | 14,857 | +398 |
| VR&E Rehab, Evaluation, Planning and Service 1/ | 22,940 | 26,164 | 23,628 | 24,278 | +650 |
| Specially Adapted Housing Grants | 668 | 846 | 668 | 668 | 0 |
| Automobile Grants | 1,461 | 1,585 | 1,461 | 1,461 | 0 |
| Adaptive Equipment | 8,009 | 8,133 | 8,009 | 8,009 | 0 |
| National Call to Service | 0 | 200 | 200 | 1,000 | +800 |
| Average cost: | | | | | |
| Veterans/servicemembers | \$5,611 | \$5,603 | \$5,820 | \$6,013 | +\$193 |
| Reservists (1606) | \$2,098 | \$2,068 | \$2,172 | \$2,256 | +\$84 |
| Reservists (1607) | \$0 | \$3,648 | \$3,648 | \$3,791 | +\$143 |
| Survivors' Dependents' Education and Training | \$5,228 | \$5,553 | \$5,418 | \$5,628 | +\$210 |
| VR&E Subsistence Allowance | \$4,103 | \$4,261 | \$4,226 | \$4,391 | +\$165 |
| VR&E Books, tuition, supplies, fees, etc. | \$4,811 | \$5,030 | \$5,099 | \$5,405 | +\$306 |
| Specially Adapted Housing Grants | \$42,259 | \$50,000 | \$43,293 | \$43,293 | \$0 |
| Automobile Grants | \$10,784 | \$11,000 | \$10,784 | \$10,784 | \$0 |
| Adaptive Equipment | \$4,714 | \$4,510 | \$5,475 | \$6,358 | +\$883 |
| National Call to Service | \$0 | \$3,400 | \$3,400 | \$3,400 | \$0 |
| Total Cost: 2/ | | | | | |
| Veterans/ servicemembers | \$1,887,239 | \$2,070,102 | \$2,154,810 | \$2,245,164 | +\$90,354 |
| Reservists (1606) 3/ | \$183,757 | \$119,349 | \$177,953 | \$206,583 | +\$28,630 |
| Reservists (1607) | \$0 | \$197,394 | \$147,600 | \$192,400 | +\$44,800 |
| Survivors' Dependents' Education and Training | \$388,719 | \$444,793 | \$430,340 | \$468,427 | +\$38,087 |
| VR&E Subsistence Allowance | \$228,632 | \$252,284 | \$242,324 | \$258,699 | +\$16,375 |
| VR&E Books, tuition, supplies, fees, etc. | \$335,619 | \$371,916 | \$366,149 | \$398,794 | +\$32,645 |
| Specially Adapted Housing Grants | \$28,229 | \$42,300 | \$28,920 | \$28,920 | \$0 |
| Automobile Grants | \$15,756 | \$17,400 | \$15,800 | \$15,800 | \$0 |
| Adaptive Equipment | \$37,758 | \$36,700 | \$43,800 | \$50,900 | +\$7,100 |
| National Call to Service | \$0 | \$680 | \$680 | \$3,400 | +\$2,720 |

1/ No monetary benefit payment associated with these cases.

2/ 2006 Budget estimate column may differ from 2006 Congressional Budget due to inclusion of PL 108-454 section 106.

3/ Work-study costs not included

Summary of Readjustment Benefits Budget Request

Budget authority of nearly \$3.3 billion, when combined with \$509.5 million in offsetting collections from the Department of Defense provides funding for estimated readjustment benefits obligations. This account will also provide reimbursement to the General Operating Expenses account for printing and reproduction, regular mail, contracts, and other personal services costs associated with outreach under PL 101-237 and PL 105-368. This funding will also provide for subsistence allowance and the cost of books, supplies, tuition, and fees under the Vocational Rehabilitation and Employment program.

The National Defense Authorization Act, PL 108-375, established a new program, Chapter 1607, providing educational assistance to members of the reserve components called or ordered to active service. VBA will administer the benefits of the new program and receive reimbursement from DOD. An estimated 50,755 trainees will elect the 1607 program established under Public Law 108-375 and receive a higher average benefit rate as opposed to remaining in the 1606 program. An influx of over 40 thousand trainees for chapter 1607 is expected to be paid in 2006 although no benefit payments were obligated in 2005.

Additionally, accelerated payments (lump sum payments of 60 percent for tuition and fees of certain high cost and high technology education and training programs), combined with other benefit enhancements are more appealing and advantageous, contributing to the increase in trainees. The Defense Authorization Act provides aid to veterans impacted by Hurricane Katrina. This Act includes provisions for additional specially adapted housing grants, additional automobile grants, removal of the independent living trainee cap, and expansion of subsistence allowance for veterans receiving Vocational Rehabilitation and Employment services.

Summary of Readjustment Benefit Requirements (dollars in thousands)

| | 2005 | | | 2006 | | | 2007 | | |
|--|----------|--------------------|-------------|----------|--------------------|-------------|----------|--------------------|-------------|
| | Workload | Average Benefit | Obligations | Workload | Average Benefit | Obligations | Workload | Average Benefit | Obligations |
| Total chapters 30, 1606, 1607,35,31 | 568,059 | 5,323 | 3,023,966 | 643,864 | 5,265 | 3,390,257 | 672,713 | 5,345 | 3,596,144 |
| All-volunteer force educational assistance: | | | | | | | | | |
| Chapter 30 total | 336,347 | 5,611 | 1,887,239 | 370,248 | 5,789 | 2,143,511 | 373,368 | 5,983 | 2,233,696 |
| Veterans | 315,740 | 5,782 | 1,825,562 | 347,768 | 5,965 | 2,074,393 | 348,805 | 6,180 | 2,155,533 |
| Servicepersons | 20,607 | 2,993 | 61,677 | 22,480 | 3,075 | 69,117 | 24,563 | 3,182 | 78,163 |
| Reservists (1606) | 87,589 | 2,098 | 183,757 | 81,930 | 2,172 | 177,953 | 91,579 | 2,256 | 206,583 |
| Reservists (1607) | | | | 40,455 | 3,648 | 147,600 | 50,755 | 3,791 | 192,400 |
| Education and training: | | | | | | | | | |
| Dependents total | 74,360 | 5,228 | 388,719 | 79,430 | 5,418 | 430,340 | 83,235 | 5,628 | 468,427 |
| Sons and Daughters total | 63,863 | 5,348 | 341,513 | 68,142 | 5,547 | 377,961 | 71,412 | 5,761 | 411,398 |
| College | 61,123 | 5,358 | 327,517 | 65,402 | 5,557 | 363,445 | 68,672 | 5,771 | 396,312 |
| Below College Level | 2,639 | 5,166 | 13,634 | 2,639 | 5,321 | 14,043 | 2,639 | 5,529 | 14,591 |
| On-the-job training | 101 | 3,584 | 362 | 101 | 4,683 | 473 | 101 | 4,911 | 496 |
| Spouses and widow (ers) | | | | | | | | | |
| Total | 10,497 | 4,498 | 47,206 | 11,289 | 4,640 | 52,379 | 11,823 | 4,824 | 57,029 |
| College | 9,740 | 4,578 | 44,591 | 10,602 | 4,711 | 49,951 | 11,136 | 4,894 | 54,505 |
| Below College Level | 657 | 3,892 | 2,557 | 584 | 4,009 | 2,341 | 584 | 4,164 | 2,432 |
| Correspondence | 93 | 269 | 25 | 93 | 280 | 26 | 93 | 290 | 27 |
| On-the-job training | 7 | 4,714 | 33 | 10 | 6,100 | 61 | 10 | 6,400 | 64 |
| Chapter 31 | 69,763 | 8,088 | 564,251 | 71,801 | 8,474 | 608,473 | 73,776 | 8,912 | 657,493 |
| Tuition Assistance | 23,080 | 840 | 19,394 | 23,080 | 866 | 19,976 | 23,080 | 899 | 20,755 |
| Licensing and Certification Tests | 4,706 | 314 | 1,479 | 4,706 | 314 | 1,478 | 4,706 | 314 | 1,478 |
| Work-study | 18,937 | 1,429 | 27,061 | 21,366 | 1,298 | 27,731 | 24,008 | 1,210 | 29,055 |
| State Approving Agencies | | | 17,773 | | | 19,000 | | | 19,000 |
| Reporting Fees | | | 3,683 | | | 3,963 | | | 4,031 |

Housing

The 2007 budget request reflects a new account structure. Housing is one of the nine major programs. The Federal Credit Reform Act of 1990, P.L. 101-508, changed the accounting for Federal credit programs to more accurately measure the costs of credit programs and to make credit programs consistent with and comparable to non-credit transactions. The intent of credit reform is to separate the subsidy cost to the government reflected in the program account from the off-budget cash flows of credit transactions accounted for in the financing accounts and to focus on the former for budgeting and analysis.

The financing off-budget accounts record all of the cash flows (disbursements, principal and interest repayments, fee collections, default payments, etc.) from post-1991 direct and guarantee loans. Funds are transferred from the program account to the financing accounts when the loans are disbursed.

Housing Program Funds

The housing program includes three credit reform programs, the Veterans Housing Benefit Program Fund, the Native American Housing Loan Program and the Guaranteed Transitional Housing for Homeless Veterans program.

Veterans Housing Benefit Program

The principal objective of the loan guaranty program is to encourage and facilitate the extension of favorable credit terms by private lenders to veterans for the purchase, construction, or improvement of homes to be occupied by veterans and their families. The program operates by substituting the Federal Government's guaranty for the down payment that would otherwise be required when a veteran or reservist purchases a home. Eligible individuals are thus able to finance home purchases even though they may not have the resources to qualify for conventional loans.

Avoiding foreclosure is critical to VA and veterans. VA's goal is to reduce the likelihood of foreclosure through aggressive intervention actions when loans are referred to VA as three payments in default. Costs to the government are reduced when VA is able to pursue an alternative to foreclosure. Veterans are helped either by saving their home or avoiding the expense and damage to their credit rating caused by foreclosure.

VA charges various upfront funding fees according to the fee structure authorized in 38 U.S.C. § 3729. A person who pays a fee for a loan guaranteed or insured after December 31, 1989, or who is exempt from payment of the fee, shall have no liability to VA for any loss resulting from default except in the case of fraud, misrepresentation, or bad faith. This exemption does not apply to manufactured homes under section 3712 or loan assumptions.

VA is authorized to make direct loans to severely disabled veterans in connection with Specially Adapted Housing Grants. The maximum loan amount is \$33,000.

Veterans may also obtain guaranteed loan financing to buy a new or used manufactured home and/or buy or improve a lot for placement of a manufactured home. The guaranty amount is the lesser of 40 percent of the loan amount or \$20,000. Veterans are charged a funding fee of one percent of the loan amount.

The "Federal Credit Reform Act of 1990," PL 101-508, changed the accounting for Federal credit programs to more accurately measure the costs of credit programs and to make credit programs consistent with and comparable to non-credit transactions. The intent of credit reform is to separate the subsidy costs, the cost to the government, from the non-budgetary cash flows of credit transactions and to focus on the former for budgeting and analysis. To accomplish this objective, credit programs separate the Housing Loan Program into three accounts, the Program Account, the Direct Loan Financing Account and the Liquidating Account.

Program Account:

The Program Account records the subsidy costs (cost to the government) associated with direct loans obligated and loan guarantees committed since 1992, as well as the discretionary administrative expenses associated with operating the housing programs. Subsidy costs are calculated on a net present value basis; the administrative expenses are estimated on a cash basis.

Liquidating Account:

The Liquidating Account records all cash flows to and from the Government resulting from direct loans obligated and loan guarantees committed prior to 1992. This account is shown on a cash basis. Acquired and Vendee loans originating from this account in 1992 and after are recorded in the Direct Loan Financing Account.

Direct Loan Financing Account:

The Direct Loan Financing Account (DLFA) is an off-budget account that records all financial transactions to and from the government resulting from direct loans obligated since 1992 (including all Vendee loans established and loans acquired from the Liquidating and Guaranteed Loan Financing Accounts). The DLFA primarily tracks each cohort year's loan activity (principal and interest repayments, Treasury borrowings, interest paid to or received from Treasury, etc.) and is not included in the budget totals when calculating total government spending. Beginning in 2006, the DLFA will execute two distinct cohorts, one for Direct Acquired Loans and one for Direct Vendee Loans.

Guaranteed Loan Financing Account:

The Guaranteed Loan Financing Account (GLFA) is an off-budget account that records all financial transactions, to and from the government, resulting from loan

guarantees committed since 1992 (including modifications of loan guarantees that resulted from commitments in any year). Like the DLFA, its primary purpose is the financial tracking of each cohort year's loan activity and is not included in the budget totals.

Loan Sales Securities Guaranteed Loan Financing Account:

The Guaranteed Loan Sales Securities Account (LSSA) was established in 1999 to record transactions from the guarantee of Vendee loans sold under the Vendee Mortgage Trust (VMT) Securitization Program. Like DLFA and GLFA, this account's primary purpose is the financial tracking of each cohort year's loan sale activity and is not included in the budget totals when calculating total government spending.

Budget Request

The 2007 appropriation request includes funding for the mandatory and discretionary requirements of the Housing program. The mandatory request of \$42.9 million for the Housing program account includes estimated funding for subsidy payments (costs to the government) for the Housing credit reform loan programs. Subsidy appropriations for 2007 include \$19.6 million for the Veterans Housing Loan Sales Securities Account and \$23.3 million for the Veterans Housing Direct Acquired Loan program. The Liquidating account does not require an appropriation to fund account obligations because sufficient resources are available from offsetting collections (borrower's principal and interest repayments, sale of homes, etc.). The discretionary request of \$153.2 million includes the funding requirements for general operating expenses associated with General Counsel, Information Technology, and Veterans Benefits Administration.

Guaranteed loan sales securities subsidies reflect the portion of the expected payments by the government that the government does not expect to be offset by collections, in net present value terms. In 2007, based on the estimated number of guaranteed loans sold (5,395) and the average loan amount (\$91,172), loan sales totaling \$491.8 million are estimated to be sold. The subsidy estimate of \$19.6 million is based on a subsidy rate of 3.99 percent and is calculated in a similar manner as direct loans, using the same discount rate.

Direct acquired loan subsidies reflect the portion of loan disbursements the government does not expect to recover, i.e., the cost to the government, in net present value terms. In 2007, based on the number of loans acquired (3,734) and the average loan amount (\$59,749), \$223.1 million in direct acquired loans is estimated. The subsidy estimate of \$23.3 million is based on a subsidy rate of 10.43 percent applied to the total value of direct loans made. The rate is calculated after discounting the estimated net cash flows associated with the loan disbursements by the comparable rates on Treasury securities. The discounted net cash value divided by the total value of loans equals the subsidy rate.

Total Veteran Housing Program Benefit Fund
Summary of Appropriation Highlights
(dollars in thousands)

| Housing Program and Liquidating Accounts | 2005 Actual | 2006 | | 2007 Estimate | Increase (+) Decrease (-) |
|--|--------------------|--------------------|---------------------|------------------|------------------------------|
| | | Budget Estimate | Current Estimate | | |
| Obligations: | | | | | |
| Liquidating Account | \$24,756 | \$21,953 | \$18,391 | \$14,955 | \$-3,436 |
| Program Account | \$2,038,335 | 218,161 | \$213,019 | \$196,077 | -16,942 |
| Total Obligations | \$2,063,656 | \$240,114 | \$231,410 | \$211,032 | -\$20,378 |
| Budget Authority: | | | | | |
| Mandatory, Program Account | \$1,885,492 | \$64,586 | \$59,444 | \$42,892 | -\$16,552 |
| Mandatory, Liquidating Account | -45,000 | -42,633 | -61,371 | -48,606 | +12,765 |
| Discretionary Program Account | 152,843 | 153,575 | 153,575 | 153,185 | -390 |
| Total Budget Authority (net) | \$1,993,335 | \$175,528 | \$151,648 | \$147,471 | -\$4,177 |
| Outlays: | | | | | |
| Liquidating Account | \$-76,577 | \$-42,633 | \$-59,734 | \$-48,606 | +\$11,128 |
| Program Account | \$2,038,335 | 218,161 | \$213,019 | \$196,077 | -\$16,942 |
| Total Outlays (net) | \$1,961,758 | \$175,528 | \$153,285 | \$147,471 | -\$5,814 |

Note: Dollar amounts may not add due to rounding in this and subsequent charts.

Housing Liquidating and Veteran Housing Program Accounts

Summary of Appropriation Highlights

(dollars in thousands)

| | 2005 Actual | 2006 | | 2007 Estimate | Increase (+) Decrease (-) |
|---|--------------------|--------------------|---------------------|------------------|------------------------------|
| | | Budget Estimate | Current Estimate | | |
| Liquidating: | | | | | |
| Program Obligations | | | | | |
| Transfer to General Fund | \$24,756 | \$21,953 | \$18,391 | \$14,955 | -\$3,436 |
| Offsetting Collections | \$73,458 | \$42,633 | \$93,169 | \$48,606 | -\$44,563 |
| | \$100,501 | \$64,586 | \$79,763 | \$63,561 | -\$16,202 |
| Budget Authority (net) | -\$45,000 | -\$42,633 | -\$61,371 | -\$48,606 | +\$12,765 |
| Outlays (net) | -\$76,577 | -\$42,633 | -\$59,734 | -\$48,606 | +\$11,128 |
| Housing Program: | | | | | |
| Loan Subsidy Obligations: | | | | | |
| Veterans Housing Guaranteed | \$0 | \$0 | \$0 | \$0 | \$0 |
| Veterans Housing Loan Sales | 0 | 42,622 | 0 | 19,625 | +19,625 |
| Veterans Housing Direct Acquired | 0 | 21,964 | 19,934 | 23,267 | +3,333 |
| Veterans Housing Direct Vendee | 0 | 0 | 0 | 0 | 0 |
| Upward Reestimates, including interest: | | | | | |
| Veterans Housing Guaranteed | 3,940 | 0 | 0 | 0 | 0 |
| Veterans Housing Loan Sales | 213,638 | 0 | 653 | 0 | -653 |
| Veterans Housing Direct Acquired | 1,667,914 | 0 | 38,857 | 0 | -38,857 |
| Veterans Housing Direct Vendee | 0 | 0 | 0 | 0 | 0 |
| Administrative Expenses: | | | | | |
| Veterans Benefits Administration | 148,174 | 148,799 | 130,095 | 126,569 | -22,230 |
| General Counsel | 4,669 | 4,776 | 4,777 | 4,885 | +109 |
| Information Technology | 0 | 0 | 18,703 | 21,731 | +21,731 |
| Obligations | \$2,038,335 | \$218,161 | \$213,019 | \$196,077 | -\$16,942 |
| Unobligated Balance: | | | | | |
| Start of year | \$0 | \$0 | \$0 | \$0 | \$0 |
| End of year | \$0 | \$0 | \$0 | \$0 | \$0 |
| Budget Authority (net) | \$2,038,335 | \$218,161 | \$213,019 | \$196,077 | -\$16,942 |
| Obligated Balance: | | | | | |
| Start of year | \$0 | \$0 | \$0 | \$0 | \$0 |
| End of year | \$0 | \$0 | \$0 | \$0 | \$0 |
| Outlays (net) | \$2,038,335 | \$218,161 | \$213,019 | \$196,077 | -\$16,942 |
| Total Obligations | \$2,063,091 | \$240,114 | \$231,410 | \$211,032 | -\$20,378 |
| Budget Authority: | | | | | |
| Appropriation, mandatory | \$1,885,492 | \$64,586 | \$59,444 | \$42,892 | -\$16,552 |
| Appropriation, discretionary | \$152,843 | \$153,575 | \$153,575 | \$153,185 | -\$390 |
| Liquidating Account | -\$45,000 | -42,633 | -\$61,371 | -\$48,606 | +\$12,765 |
| Total Budget Authority (net) | \$1,993,335 | \$175,528 | \$151,648 | \$147,471 | -\$4,177 |
| Total Outlays (net) | \$1,961,758 | \$175,528 | \$153,285 | \$147,471 | -\$5,814 |

The Liquidating Account does not require an appropriation to fund account obligations because sufficient resources are available from the \$63.6 million in offsetting collections (borrower's principal and interest repayments, sale of homes, etc.). Obligations for 2007 are estimated at \$15.0 million which, when netted with collections, results in a negative budget authority of \$48.6 million. The Liquidating Account includes activity for all loans disbursed prior to 1992. These loans do not fall under the requirements of credit reform and subsidy is not calculated for the liquidating account.

Budget authority of \$196.1 million is being requested for the Housing Program account for 2007 to provide administrative expenses and subsidy payments of \$19.6 million to the Veterans Housing Loan Sales Securities Account and \$23.3 million to the Veterans Housing Direct Acquired Loan Account. A subsidy appropriation is not required for the Veterans Housing Guaranteed or Direct Vendee loan programs for 2007 because they have negative subsidy rates.

Subsidy for federal credit programs represents the estimated cost to the Government of making loans. Veteran's Housing loans are generally for 30 years and the subsidy rate reflects the cost to the Government for that 30-year period. A subsidy rate is the net present value of all cash inflows (fees, down payments, sales of inventory property, etc.) less the cash outflows (claim and acquisition payments, property expenses, etc.) for those 30 years. Cash inflows and outflows are estimated for each year of the 30 years. Subsidy Budget Authority requested is the subsidy rate for the program multiplied by the total loan level projected for 2007. A negative subsidy rate results when cash inflows exceed cash outflows thus government funds in the form of subsidy are not required.

**Veteran Housing Financing Accounts - Off Budget
Financial Summary
(dollars in thousands)**

| | 2005 Actual | 2006 | | 2007 Estimate | Increase (+) Decrease (-) |
|---|----------------|--------------------|---------------------|------------------|------------------------------|
| | | Budget Estimate | Current Estimate | | |
| Guaranteed Loans: | | | | | |
| Obligations | \$2,059,086 | \$3,142,879 | \$4,113,015 | \$2,863,537 | -\$1,249,478 |
| Collections | \$2,048,841 | \$3,766,102 | \$3,210,718 | \$3,296,077 | +\$85,359 |
| Financing Authority (net) | \$0 | \$0 | \$0 | \$0 | \$0 |
| Financing Disbursements (net) | \$35,604 | -\$618,745 | \$890,664 | -\$425,463 | -\$1,316,127 |
| Loan Sales Securities: | | | | | |
| Obligations | \$42,873 | \$1,178,660 | \$67,641 | \$551,151 | +\$483,510 |
| Collections | \$224,178 | \$1,143,783 | \$19,343 | \$549,566 | +\$530,223 |
| Financing Authority (net) | -\$2,729 | \$0 | \$0 | \$0 | \$0 |
| Financing Disbursements (net) | \$-181,305 | \$34,876 | \$48,298 | \$1,585 | -\$46,713 |
| Direct Loans: | | | | | |
| Obligations | \$648,629 | \$1,966,941 | \$606,144 | \$707,012 | +\$100,868 |
| Collections | \$2,146,057 | \$1,984,312 | \$346,039 | \$896,173 | +\$550,134 |
| Financing Authority (net) | -\$223,474 | -\$17,371 | -\$147,521 | -\$189,161 | -\$336,682 |
| Financing Disbursements (net) | -\$1,495,141 | \$6,078 | \$277,203 | -\$187,848 | -\$465,051 |
| Housing Financing Accounts Totals: | | | | | |
| Obligations | \$2,750,588 | \$6,288,480 | \$4,786,800 | \$4,121,700 | -\$665,100 |
| Collections | \$4,419,076 | \$6,894,197 | \$3,576,100 | \$4,741,816 | \$1,165,716 |
| Financing Authority (net) | -\$226,203 | -\$17,371 | \$147,521 | -\$189,161 | -\$336,682 |
| Financing Disbursements (net) | -\$1,640,842 | -\$577,791 | \$1216,165 | -\$611,726 | -\$1,827,891 |

Veterans Housing Benefit Program Financing Accounts – Off-Budget

The Veterans Housing Guaranteed Loan program has a negative subsidy rate in 2007 and will not require any subsidy to finance 230,000 Veterans Housing Guaranteed loans totaling \$37.2 billion. Public Law 108-454, the Veterans Benefits Improvement Act of 2004, included some changes to the Loan Guaranty Program. The Veterans Housing Guaranteed Loan Hybrid Adjustable Rate Mortgage (ARM) demonstration project originally mandated for 2004 and 2005 has been extended through 2008 and will allow VA to guarantee both hybrid and traditional ARMs. The Act also increased the maximum loan guaranty amounts to be indexed to the current Freddie Mac conforming loan limitation. The \$19.6 million (on-budget) in Loan Sales subsidy for 2007 is the estimated cost to the government to finance the sale of 5,395 loans totaling \$491.8 million. The \$23.3 million (on-budget) in Direct Acquired Loan subsidy for 2007 is to finance 3,734 acquired loans totaling \$223.1

million. The Veterans Housing Direct Vendee Loan Program has a negative subsidy rate in 2007 and will not require any subsidy to finance 5,082 Vendee loans totaling \$365.6 million for 2007.

| Veterans Housing Benefit Program Workload Summary (dollars in thousands) | | | | | |
|--|----------------|--------------------|---------------------|------------------|------------------------------|
| | 2005 Actual | 2006 | | 2007 Estimate | Increase (+) Decrease (-) |
| | | Budget Estimate | Current Estimate | | |
| Veterans Housing Benefit Program: | | | | | |
| Liquidating Account: | | | | | |
| Property acquisitions | 368 | 294 | 294 | 236 | -58 |
| Properties sold | 869 | 782 | 782 | 704 | -78 |
| Guaranteed Loans: | | | | | |
| Subsidy rate | -0.33% | -0.32% | -0.32% | -0.36% | -.04% |
| Claims processed | 8,576 | 22,818 | 21,612 | 20,269 | -1,343 |
| Properties acquired | 7,290 | 19,396 | 18,730 | 17,229 | -1,501 |
| Properties sold/redeemed | 18,547 | 49,345 | 46,737 | 43,833 | -2,904 |
| Property inventory, end of year | 6,184 | 54,965 | 34,550 | 61,154 | +26,604 |
| Number of guaranteed loans | 149,399 | 300,000 | 230,000 | 230,000 | 0 |
| Amount of guaranteed loans | \$22,543,614 | \$46,173,100 | \$36,110,460 | \$37,189,036 | +\$1,078,576 |
| Average loan amount (full dollars) | \$150,895 | \$153,910 | \$157,002 | \$161,691 | +\$4,689 |
| Loan Sales Securities: | | | | | |
| Subsidy rate | 3.69% | 4.12% | 4.12% | 3.99% | -0.13 |
| Guaranteed loans sold: | | | | | |
| Number of loans sold | 0 | 11,448 | 0 | 5,395 | +5,395 |
| Amount of loans sold | 0 | \$1,034,506 | 0 | \$491,842 | +\$491,842 |
| Average loan amount (full dollars) | 0 | \$90,370 | 0 | \$91,172 | +\$91,172 |
| Gross proceeds from sale | 0 | \$1,044,330 | 0 | \$496,513 | +\$496,513 |
| Direct Loans: | | | | | |
| Acquired Loans: | | | | | |
| Subsidy rate | -6.22% | 9.18% | 9.18% | 10.43% | +1.25% |
| Number of Loans | 1,161 | 2,159 | 3,716 | 3,734 | +18 |
| Total amount of loans | \$62,423 | \$239,260 | \$217,144 | \$223,080 | +\$5,936 |
| Average loan amount (full dollars) | \$53,784 | \$113,460 | \$58,431 | \$59,749 | +\$1,318 |
| Vendee Loans: | | | | | |
| Subsidy rate | -6.22% | -5.64% | -5.64% | -3.46% | -2.18% |
| Number of Loans | 1,419 | 14,164 | 2,206 | 5,082 | +2,876 |
| Total amount of loans | \$91,578 | \$1,434,121 | \$150,974 | \$365,581 | +\$214,607 |
| Average loan amount (full dollars) | \$64,529 | \$101,251 | \$68,416 | \$71,939 | +\$3,523 |

Guaranteed Transitional Housing Program

The Guaranteed Transitional Housing program was established by PL 105-368, the “Veterans Benefits Enhancement Act of 1998”. The program is a pilot project designed to expand the supply of transitional housing for homeless veterans by providing up to 15 loans with a maximum aggregate value of \$100 million. The project must enforce sobriety standards and provide a wide range of supportive services, such as counseling for substance abuse and job readiness skills. Residents, once employed, will be required to pay a reasonable fee.

Budget Request

Total obligations in 2007 decline by \$1.1 million from the 2006 estimate. Outlays increased \$7.2 million from the 2006 estimate of \$3.9 million. Although loan documentation was signed in 2005, the first loan has not yet been disbursed. The value of the 2005 loan is \$4.9 million with a 99.24 percent subsidy rate. We anticipate that two loans will be disbursed in both 2006 and 2007. Subsidy requirements for these loans will be funded from the unobligated balance of the initial \$48.3 million appropriation.

| Guaranteed Transitional Housing Loans Program Account | | | | | |
|---|----------------|--------------------|---------------------|------------------|------------------------------|
| Summary of Appropriation Highlights | | | | | |
| (dollars in thousands) | | | | | |
| | 2005 Actual | 2006 | | 2007 Estimate | Increase (+) Decrease (-) |
| | | Budget Estimate | Current Estimate | | |
| Obligations | | | | | |
| Direct loan subsidy | \$4,863 | \$15,026 | \$8,900 | \$7,757 | -\$1,143 |
| Total obligations | \$4,863 | \$15,026 | \$8,900 | \$7,757 | -\$1,143 |
| Unobligated Balance: | | | | | |
| Start of year | -\$48,250 | -\$26,720 | -\$43,387 | -\$34,487 | +\$8,900 |
| End of year | \$43,387 | \$11,694 | \$34,487 | \$26,731 | -\$7,756 |
| Budget authority (net) | \$0 | \$0 | \$0 | \$0 | \$0 |
| Obligated Balance: | | | | | |
| Start of year | \$0 | \$16,190 | \$4,863 | \$9,832 | +\$4,969 |
| End of year | -\$4,863 | -\$13,303 | -\$9,832 | -\$6,508 | +\$3,324 |
| Outlays (net) | \$0 | \$17,913 | \$3,930 | \$11,081 | +\$7,151 |
| Workload and Subsidy Rate: | | | | | |
| Number of loans established | 1 | 3 | 2 | 2 | 0 |
| Average loan amount | \$4,900 | \$7,000 | \$5,570 | \$5,482 | -\$88 |
| Amount of loans established | \$4,900 | \$21,000 | \$11,140 | \$10,965 | -\$175 |
| Combined Project Subsidy Rate | 99.24% | 71.55% | 79.89% | 70.74% | -9.15% |

Transitional Housing Direct Loan Financing Account -- Off-Budget

The Transitional Housing Direct Loan Financing Account is an off-budget account that records all financial transactions to and from the government resulting from direct loan obligations. The Direct Loan Financing account is used primarily for the financial tracking of each cohort year's loan activity within the financing account and is not included in the budget totals when calculating total government spending. Guaranteed Transitional Housing Loans will be financed by the Federal Financing Bank (FFB) and, for budgetary and accounting purposes, considered Agency debt. Therefore, although this is a guaranteed loan program, all transactions will be accounted for in a direct loan financing account.

| Transitional Housing Direct Loan Financing Account - Off-Budget | | | | | |
|---|----------------|--------------------|---------------------|------------------|------------------------------|
| Financial Summary (dollars in thousands) | | | | | |
| | 2005 Actual | 2006 | | 2007 Estimate | Increase (+) Decrease (-) |
| | | Budget Estimate | Current Estimate | | |
| Obligations: | | | | | |
| Direct loans | \$0 | \$21,000 | \$11,140 | \$10,965 | -\$175 |
| Interest on Treasury borrowings | 46 | 178 | -102 | -128 | -26 |
| Property expenses and other | 37 | 38 | 35 | 85 | +50 |
| Total obligations | \$83 | \$21,216 | \$11,072 | \$10,922 | -\$150 |
| Obligated Balance: | | | | | |
| Start of year | \$0 | \$14,305 | -\$4,826 | \$6,290 | +\$11,116 |
| Change in Uncollected Customer Payments | -4,863 | 0 | 0 | 0 | 0 |
| End of year | \$4,826 | -\$9,980 | -\$6,290 | \$-2,776 | +\$3,514 |
| <i>Offsetting Collections:</i> | | | | | |
| <i>Interest received on loans</i> | \$0 | \$742 | \$60 | \$407 | +\$347 |
| <i>Loan repayments</i> | 0 | 0 | 0 | 24 | +24 |
| Payments from Program account | 0 | 17,913 | 3,930 | 11,081 | +7,151 |
| Interest on Uninvested Funds | 46 | 0 | 0 | 0 | 0 |
| Total offsetting collections | \$46 | \$18,655 | \$3,991 | \$11,512 | +\$7,521 |
| Financing: | | | | | |
| Financing authority, net | \$4,900 | \$2,561 | \$2,219 | -\$590 | -\$2,809 |
| Financing disbursements, net | \$0 | \$4,786 | -\$4,034 | \$2,924 | +\$6,958 |

It is projected that the Guaranteed Transitional Housing for Homeless Veterans program will disburse two loans in 2007. The total amount of the two loans is estimated at almost \$11.0 million with a subsidy cost of \$7.8 million (on-budget) to be financed with remaining unobligated funds.

Obligations are estimated at \$10.9 million for 2007, consisting of \$11.0 million in direct loan payments and \$85,000 for property expenses, offset by -\$128,000 for interest on Treasury borrowings. Collections are estimated at \$11.5 million in 2007. The offsetting collections consist of subsidy payments from the Program account of \$11.1 million, interest paid on loans of \$407,000, and \$24,000 in loan repayments.

Native American Housing Program

The Native American Veterans Housing Loan Program is authorized by 38 U.S.C. chapter 37, section 3761 to provide direct loans to veterans living on trust lands. The loans are available to purchase, construct or improve homes to be occupied as the veteran's residence. The principal amount of a loan under this authority is generally limited to \$80,000, except in areas where housing costs are significantly higher than average costs nationwide. Veterans pay a funding fee of 1.25 percent of the loan amount but veterans with service-connected disability are exempt from paying the fee. The law also requires that before a direct loan can be made, the veteran's tribal organization sign a Memorandum of Understanding with the Department of Veterans Affairs with respect to the terms and conditions of the loan.

The Native American Veterans Housing Loan Program is a pilot program that began in 1993 and expires on December 31, 2008. Indefinite subsidy authority of \$4.5 million was provided for by PL 102-389, "Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriation Act, 1993". Initial authority for this pilot program expired September 30, 1997. Authority was extended through December 31, 2001 by PL 105-114, "Veterans Benefits Act of 1997", through December 31, 2005 by PL 107-103, "Veterans Education and Benefits Expansion Act of 2001", and recently extended through December 31, 2008, by PL 108-454, "Veterans Benefits Improvement Act of 2004".

Budget Request

An appropriation of \$615,000 is being requested to reimburse the General Operating Expenses account for expenses necessary to administer this program. The subsidy necessary to support this pilot program was appropriated in 1993 (\$4.5 million). The Native American Housing program has a negative subsidy rate in 2007 and therefore will not require any subsidy from the program's \$2.3 million unobligated balance.

Native American Direct Loan Program Account

Summary of Appropriation Highlights (dollars in thousands)

| | 2005 Actual | 2006 | | 2007 Estimate | Increase (+) Decrease (-) |
|---|----------------|--------------------|---------------------|------------------|------------------------------|
| | | Budget Estimate | Current Estimate | | |
| Obligations | | | | | |
| Direct loan subsidy | \$0 | \$0 | \$0 | \$0 | \$0 |
| Upward reestimate, including interest | 3,308 | 0 | 45 | 0 | -45 |
| Administrative expenses: | | | | | |
| Veterans Benefits Administration | 550 | 560 | 561 | 595 | +35 |
| General Counsel | 17 | 20 | 19 | 20 | 0 |
| Total administrative expenses | \$567 | \$580 | \$580 | \$615 | +\$35 |
| Total obligations | \$3,875 | \$580 | \$625 | \$615 | -\$10 |
| Unobligated Balance: | | | | | |
| Start of year | -\$2,334 | -\$2,334 | -\$2,334 | -\$2,334 | \$0 |
| End of year | \$2,334 | \$2,334 | \$2,334 | \$2,334 | \$0 |
| Budget authority (net) | \$3,875 | \$580 | \$625 | \$615 | -\$10 |
| Obligated Balance: | | | | | |
| Start of year | \$0 | \$0 | \$0 | \$0 | \$0 |
| End of year | \$0 | \$0 | \$0 | \$0 | \$0 |
| Outlays (net) | \$3,875 | \$580 | \$625 | \$615 | -\$10 |
| Financing: | | | | | |
| Appropriation, discretionary | \$567 | \$580 | \$580 | \$615 | +\$35 |
| Mandatory Indefinite | \$3,308 | \$0 | \$45 | \$0 | -\$45 |
| Workload: | | | | | |
| Number of direct loans established | 25 | 30 | 30 | 30 | 0 |
| Average direct loan amount | \$161,844 | \$78,935 | \$165,243 | \$168,879 | +\$3,636 |
| <i>Amount of direct loans established</i> | \$4,046 | \$2,368 | \$4,957 | \$5,066 | +\$109 |
| NA direct loan subsidy rate | -7.75% | -13.79% | -13.79% | -13.46% | +0.33% |

Native American Direct Loan Financing Account – Off-Budget

The Native American Veterans Housing Loan Program, Direct Loan Financing Account is an off-budget account that records all financial transactions, i.e., obligations, collections, and outlays associated with direct loan obligations. The Direct Loan Financing Account is used primarily for the financial tracking of each cohort year's loan activity and is not included in the budget totals when calculating total government spending.

| Native American Direct Loan Financing Account - Off-Budget | | | | | |
|--|-----------------|--------------------|---------------------|------------------|------------------------------|
| Financial Summary | | | | | |
| (dollars in thousands) | | | | | |
| | 2005 Actual | 2006 | | 2007 Estimate | Increase (+) Decrease (-) |
| | | Budget Estimate | Current Estimate | | |
| Obligations: | | | | | |
| Direct loans | \$6,157 | \$2,368 | \$4,957 | \$5,066 | + \$109 |
| Negative subsidy | 287 | 322 | 894 | 682 | -212 |
| Interest on Treasury borrowings | 4,364 | 1,536 | 275 | 514 | +239 |
| Property expenses | 6 | 4 | 4 | 4 | 0 |
| Treasury Receipt account: | | | | | |
| Downward Reestimate | 1,763 | 0 | 2,584 | 0 | -2,584 |
| Int. on Downward Reestimate | 239 | 0 | 380 | 0 | -380 |
| Total obligations | \$12,816 | \$4,230 | \$9,095 | \$6,267 | -\$2,828 |
| Obligated Balance: | | | | | |
| Start of year | \$250 | \$0 | \$1,602 | \$0 | -\$1,602 |
| End of year | -\$1,602 | \$0 | \$0 | \$0 | \$0 |
| <i>Offsetting Collections:</i> | | | | | |
| <i>Payments from Program account</i> | \$3,308 | \$0 | \$45 | \$0 | -\$45 |
| <i>Interest received on loans</i> | 1,365 | 1,714 | 2,062 | 2,330 | +268 |
| <i>Loan repayments</i> | 1,911 | 437 | 521 | 603 | +82 |
| Fees | 39 | 14 | 28 | 27 | -1 |
| Other | 3,171 | -449 | 337 | 426 | +89 |
| Total offsetting collections | \$9,794 | \$1,716 | \$2,993 | \$3,386 | +\$393 |
| Financing: | | | | | |
| Financing authority, net | \$60,781 | \$2,514 | \$5,340 | \$2,880 | -\$2,460 |
| Financing disbursements, net | \$1,670 | \$2,514 | \$7,704 | \$2,880 | -\$4,824 |

Obligations are estimated at \$6.3 million for 2007 and are expected to support 30 direct loans to Native American veterans with a value of \$5.1 million. Obligations also reflect interest on Treasury borrowing of \$514,000 and \$682,000 in negative subsidy. Interest on Treasury borrowing is computed based on average financing authority net of offsetting collections, using current interest rate assumptions on Treasury securities.

Total collections in 2007 are estimated at \$3.4 million, including \$2.3 million from borrower's interest payments, \$603,000 in repayments and prepayments of principal and \$27,000 from fees on loans. Collections are \$393,000 higher in 2007 than in 2006 because of additional principal and interest payments received from borrowers. A \$30 million loan level limitation is requested to cover any unexpected demand for this loan program as required by the Federal Credit Reform Act of 1990.

Insurance Programs

Summary

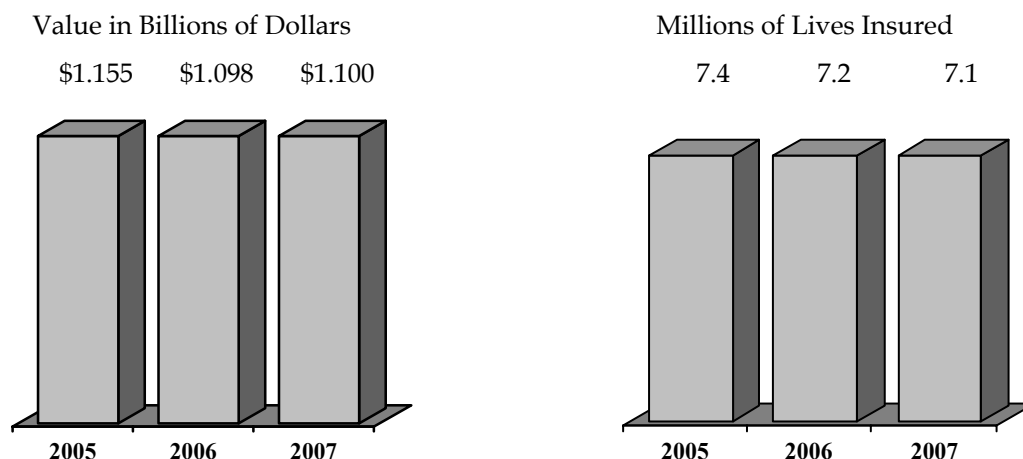
Life insurance protection for the Nation's servicemembers and veterans is provided under eight separate programs. Six of these programs are administered directly by the Department of Veterans Affairs and the remaining two are supervised through contractual agreement with Prudential Life Insurance Company of America through the Office of Servicemembers' Group Life Insurance (OSGLI). OSGLI administers the Servicemembers' Group Life Insurance (SGLI) and Veterans' Group Life Insurance (VGLI) programs.

The eight VA insurance programs are financed in a variety of ways. The Veterans Mortgage Life Insurance (VMLI) program is funded from the Veterans Insurance and Indemnities (VI&I) program. The VGLI program is funded by premiums and transfers from the (SGLI) fund. The VGLI is not included in the summary charts shown below. Veterans Insurance and Indemnities is a direct appropriation that supports the costs of insuring disabled veterans. Of the remaining six programs, three are public enterprise funds, two are trust funds, and one is a trust revolving fund.

The seven accounts listed below are covered in the following pages:

| | |
|--------------------------|---|
| Appropriation: | Insurance |
| Public enterprise funds: | Service-Disabled Veterans Insurance (SDVI) Veterans' Reopened Insurance (VRI) Servicemembers' Group Life Insurance (SGLI) |
| Trust funds: | National Service Life Insurance (NSLI) United States Government Life Insurance (USGLI) |
| Trust revolving fund: | Veterans' Special Life Insurance (VSLI) |

Total Insurance in Force



Summary of Budget Request- Mandatory

In 2007, the Insurance account will require an appropriation of \$49.8 million to finance its operation. Nearly two million dollars of additional income is received from VMLI premiums.

Budget authority (permanent and indefinite) is made available automatically to the USGLI and the NSLI funds each year by virtue of standing legislation. All obligations of the VSLI and VRI funds are paid from offsetting collections and redemption of investments in U.S. Treasury securities. All obligations of the S-DVI fund are paid by transfers from the Insurance account Fund and other offsetting collections. No action by Congress is required.

Obligations of the SGLI program are financed entirely from premium collections, interest on investments, and redemption of U.S. securities.

Insurance

Summary of Mandatory Appropriation Highlights

(dollars in thousands)

| | | 2006 | | | |
|--|------------------------|----------------------|------------------------|------------------------|---------------------|
| | 2005 | Budget | Current | 2007 | Increase (+) |
| Mandatory | Actual | Estimate | Estimate | Estimate | Decrease(-) |
| Lives Insured:¹ | | | | | |
| Veterans (Administered Programs) | 1,437,320 | 1,339,125 | 1,344,103 | 1,249,568 | -94,535 |
| Veterans (VGLI) | 417,500 | 426,989 | 427,413 | 436,638 | +9,225 |
| Servicemembers (SGLI) | 2,482,500 | 2,436,000 | 2,424,000 | 2,417,900 | -6,100 |
| Spouses and Children (FSGLI) | 3,064,000 | 2,986,000 | 2,986,000 | 2,984,000 | -2,000 |
| Total Lives Insured | 7,401,320 | 7,188,114 | 7,181,516 | 7,088,106 | -93,410 |
| Face Amount In Force | \$1,155,492,749 | \$756,137,722 | \$1,098,224,362 | \$1,100,181,978 | \$+1,957,616 |
| Obligations: | | | | | |
| Death Claims | \$1,098,376 | \$1,189,780 | \$1,149,670 | \$1,163,530 | \$+13,860 |
| Dividends | 461,735 | 410,831 | 417,050 | 373,850 | \$-43,200 |
| Premiums Paid to OSGLI | 519,571 | 540,770 | 810,020 | 854,640 | \$+44,620 |
| Transfers to Insurance Funds | 141,760 | 38,237 | 769,847 | 41,190 | \$-728,657 |
| Payments for Administrative Expenses | 38,641 | 40,928 | 40,601 | 41,824 | \$+1,223 |
| Capital Investments | 89,400 | 95,080 | 91,859 | 89,864 | \$-1,995 |
| All Other Obligations | 187,424 | 189,754 | 193,260 | 186,372 | \$-6,888 |
| Total Mandatory Obligations | \$2,536,907 | \$2,505,380 | \$2,472,307 | \$2,751,270 | \$-721,037 |
| Funding: | | | | | |
| Offsetting Collections | | | | | |
| Premiums | \$101,840 | \$97,820 | \$99,060 | \$98,240 | \$-820 |
| SGLI Premiums | 521,053 | 541,830 | 811,320 | 855,940 | \$+44,620 |
| Interest on U.S. Securities | 167,145 | 160,710 | 161,660 | 156,410 | \$-5,250 |
| Payments for S-DVI | 35,595 | 37,297 | 36,787 | 40,300 | \$+3,513 |
| All Other Collections | 455,021 | 342,690 | 1,075,127 | 320,474 | \$-754,653 |
| Total Collections | \$1,280,654 | \$1,180,347 | \$2,183,954 | \$1,471,364 | \$-712,590 |
| Unobligated balance (SOY) | \$-11,478,053 | \$-11,072,015 | \$-11,123,872 | \$-10,678,876 | \$+444,996 |
| Unobligated balance (EOY) | \$11,123,872 | \$10,581,089 | \$10,678,876 | \$10,184,784 | \$-494,096 |
| Budget Authority, net | | | | | |
| Insurance Benefit Appropriation (VI&I) | \$44,380 | \$45,907 | \$45,907 | \$49,850 | \$+3,943 |
| Trust funds | \$1,218,190 | \$1,253,043 | \$1,208,570 | \$1,194,630 | \$-13,940 |
| Total Mandatory: | | | | | |
| Budget Authority (net) | \$1,262,570 | \$1,298,950 | \$1,254,477 | \$1,244,480 | \$-9,997 |
| Outlays (net) | \$1,233,307 | \$1,329,843 | \$1,287,224 | \$1,292,836 | \$+5,612 |

¹ In this budget the Insurance program will depict lives insured rather than showing number of policies as in past budgets. This change is being made in order to more accurately reflect the people Insurance serves and the true scope of the insurance programs. Because some veterans in our administered programs have more than one policy, and because our supervised programs (SGLI, FSGLI and VGLI) are in fact only one "group policy", it is inaccurate to depict these programs as "policies in force".

Insurance Funds

Program Description

The following VA life insurance funds are explained below:

- United States Government Life Insurance (USGLI)
- National Service Life Insurance (NSLI)
- Service-Disabled Veterans Insurance (SDVI)
- Veterans' Reopened Insurance (VRI)
- Veterans' Special Life Insurance (VSLI)

The five insurance programs included under the Consolidated Insurance Funds group contain over 99.8 percent of those policies administered directly by VA. Each of these funds is operated in basically the same manner but there are some differences. The maximum amount of basic coverage available under any of these programs is \$10,000. However, under the NSLI, VRI and VSLI programs, policyholders can purchase additional protection by electing to use their dividends to buy paid-up additional insurance. The SDVI program is unique in that it insures veterans with service connected disabilities at standard premium rates and, therefore, requires an annual subsidy from the Veterans Insurance and Indemnities appropriation. Each program, excluding SDVI, participates in the distribution of annual dividends. Under each of these programs, except USGLI, waiver of premium protection is offered in the event of total disability at no additional cost. For an additional premium, total disability income provision policy riders are available under all of these programs except SDVI. USGLI policies contain a special provision whereby, in the event of total permanent disability, the policy may be matured and the insured receives the proceeds in monthly installments.

United States Government Life Insurance (USGLI)

The United States Government Life Insurance trust fund was established in 1919 to receive premiums and pay claims on insurance converted from the War risk term insurance of World War I.^{1/}

National Service Life Insurance (NSLI)

The National Service Life Insurance trust fund was established in 1940 to serve the insurance needs of World War II service personnel and veterans. Issuance of new policies ended in 1951. The trust fund is sustained through premium collections and interest on investments. This is the largest Government administered insurance program.^{1/}

Service-Disabled Veterans Insurance (SDVI)

The Service-Disabled Veterans Insurance fund is the only VA administered insurance program remaining open to new issues. It was designed as an insurance program

for veterans with a service connected disability and provides coverage at standard rates. These individuals might not otherwise be insurable at standard rates due to their disabilities.

Since the fund insures the disabled at standard premium rates, it is not self-sustaining. Periodic payments from the Veterans Insurance and Indemnities appropriation are required to meet current expenditures.

Veterans' Reopened Insurance (VRI)

The Veterans Reopened Insurance fund was established on May 1, 1965 and closed on May 2, 1966. It offered veterans, who served between October 8, 1940 and January 1, 1957, the opportunity to obtain permanent life insurance coverage. This coverage was extended only to individuals with service connected or non-service connected disabilities who were either uninsurable or who could not qualify for standard rates and were not on active duty at the date of issue of the policy.

Veterans' Special Life Insurance (VSLI)

The Veterans Special Life Insurance trust revolving fund was made available for the payment of claims for the insurance program authorized for insurable veterans who served in the Armed Forces after April 24, 1951 and up to January 1, 1957.^{1/}

Servicemembers' Group Life Insurance (SGLI)

Formerly known as the Servicemen's Group Life Insurance fund, Public Law 104-275 renamed it the Servicemembers' Group Life Insurance fund, effective October 1, 1996. This fund provides insurance coverage for military personnel, reservists, members of the National Guard, Service Academy cadets and midshipmen, and certain ROTC students. Effective April 1, 2001, Public Law 106-419 increased the level of coverage to \$250,000. P.L 107-14 extended coverage to spouses and children of insured members effective November 1, 2001. The SGLI premium rate decreased to \$.065 per month per thousand of insurance coverage from \$.08 per month per thousand. VA supervises this program. Prudential Insurance Company of America administers it. The fund is entirely self-supporting, except for any costs resulting from excess mortality traceable to the extra hazard of duty in the armed services. It also reimburses the General Operating Expenses appropriation for VA's supervisory expenses.

^{1/} Authority for the payment of administrative expenses out of excess earnings in these funds is contained in the appropriations bill. This budget assumes that the payment from excess earnings will continue.

| Summary of Insurance Programs 2007 (dollars in millions) | | | | | | | | | | |
|--|---------------------|------------------|----------------|------------------|----------------------|---------------------|---------------------|--------------------------|---------------------|------------------|
| | VI&I (VMLI) | NSLI (WWII) | USGLI (WWI) | VSLI (Korean) | VRI (WWII-Korean) | SDVI (Open) | SGLI (Open) | Family SGLI (Open) | VGLI (Open) | TOTAL |
| Beginning Date | 08/11/71 | 10/08/40 | 01/01/19 | 04/25/51 | 05/01/65 | 04/25/51 | 09/29/65 | 11/01/2001 | 8/1/74 | |
| Closing Date | Open to New Iss. | 04/24/51 | 04/24/51 | 12/31/56 | 05/01/66 | Open to New Iss. | Open to New Iss. | Open to New Iss. | Open to New Iss. | |
| Lives Insured | 2,350 | 868,310 | 6,433 | 172,503 | 37,134 | 162,838 | 2,417,900 | 2,984,000 | 436,638 | 7,088,106 |
| | | | | | | | | | | |
| Term insurance | 2,350 | 244,170 | n/a | 15,240 | n/a | 69,250 | n/a | n/a | n/a | 331,010 |
| Permanent plans | n/a | 758,895 | 6,560 | 174,700 | 43,130 | 118,074 | n/a | n/a | n/a | 1,101,359 |
| Tot. policies inforce | 2,350 | 1,003,065 | 6,560 | 189,940 | 43,130 | 187,324 | 2,417,900 | 2,984,000 | 436,638 | 7,270,907 |
| Tot. value inforce⁽¹⁾ | \$164 | \$11,345 | \$20 | \$2,370 | \$409 | \$1,873 | \$910,070 | \$116,472 | \$57,459 | 1,100,182 |
| Avg amt. per policy ⁽²⁾ | \$69,787 | \$11,310 | \$3,049 | \$12,478 | \$9,483 | \$9,999 | \$376,389 | \$39,032 | \$131,594 | |
| Avg age | 54.6 | 82.0 | 89.1 | 75.5 | 83.0 | 59.7 | 30.2 | 33.2 ⁽³⁾ | 46.7 | |
| Annual death rate per 1,000 | 67.1 | 73.5 | 149.6 | 31.2 | 84.9 | 35.1 | 1.0 | 0.85 | 4.3 | |

(1) The total value of inforce includes paid-up additional insurance.

(2) The average amount of insurance is represented in whole numbers.

(3) Average age for spouses only.

| Summary of Selected Highlights 2007 (dollars in thousands) | | | | | | | | | |
|--|------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|------------------|------------------|
| | Budget Authority (net) | | | Outlays (net) | | | Dividends | | |
| | 2005 | 2006 | 2007 | 2005 | 2006 | 2007 | 2005 | 2006 | 2007 |
| VI&I | \$44,380 | \$45,907 | \$49,850 | \$44,649 | \$46,842 | \$49,850 | 0 | 0 | 0 |
| NSLI | 1,210,888 | 1,201,820 | 1,188,600 | 1,206,851 | 1,218,274 | 1,217,510 | 365,783 | 324,480 | 286,200 |
| USGLI | 7,323 | 6,770 | 6,060 | 8,525 | 8,650 | 7,680 | 1,533 | 1,270 | 1,020 |
| VSLI | | | | -40,256 | -17,171 | -9,910 | 81,270 | 79,660 | 76,980 |
| VRI | -1 | | | 19,840 | 25,878 | 26,420 | 13,149 | 11,640 | 9,650 |
| SDVI | 1 | | | -6,281 | 4,761 | 1,306 | 0 | 0 | 0 |
| Total | \$1,262,591 | \$1,254,497 | \$1,244,510 | \$1,233,328 | \$1,287,234 | \$1,292,856 | \$461,735 | \$417,050 | \$373,850 |
| SGLI | -21 | -20 | -30 | -21 | -10 | -20 | 0 | 0 | 0 |
| Grand Total | \$1,262,570 | \$1,254,477 | \$1,244,480 | \$1,233,307 | \$1,287,224 | \$1,292,836 | \$461,735 | \$417,050 | \$373,850 |

